

Message Text

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67

ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 STR-04 ITC-01 /089 W
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P R 271040Z SEP 76

FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC PRIORITY 7580

INFO AMEMBASSY CARACAS PRIORITY

AMEMBASSY LA PAZ PRIORITY

AMEMBASSY LIMA PRIORITY

AMEMBASSY QUITO PRIORITY

AMEMBASSY SANTIAGO PRIORITY

AMCONSUL BARRANQUILLA

AMCONSUL CALI

AMCONSUL MEDELLIN

C O N F I D E N T I A L BOGOTA 9839

E.O. 11652: GDS

TAGS: ECIN, CO

SUBJECT: ANDEAN PACT REPRESENTATIVES MEET

1. REPRESENTATIVES OF THE ANDEAN PACT COUNTRIES, MINUMS CHILE, MET IN CALI OVER THE WEEKEND IN AN EFFORT TO FIND A SOLUTION TO CHILE' DEMANDS FOR GREATER LIBERALIZATION IN THE AREAS OF TARIFFS AND FOREIGN INVESTMENT. ACCORDING TO A COMMUNIQUE ISSUED SUNDAY NIGHT, THE REPRESENTATIVES OF THE FIVE COUNTRIES AGREED TO A FORMULA WHEREBY A) CHILE WOULD AGAIN BE INVITED TO SIGN DECISION 100, AFTER WHICH, B) THE OTHER FIVE COUNTRIES WOULD DISCUSS WITH CHILE A SPECIAL ARRANGEMENT UNDER WHICH THAT COUNTRY WOULD BE RELIEVED, FOR AN UNDETERMINED PERIOD, OF THE RIGHTS AND OBLIGATIONS OUTLINED IN THE AGREEMENT OF CARTAGENA AND ASSOCIATED AGREEMENTS. AS A FINAL POINT, THE FIVE COUNTRIES RATIFIED THEIR INTENTION TO ADOPT
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WHATEVER MEASURES NECESSARY TO CONTINUE WORKING TO-

WARDS THE OBJECTIVES OF THE PACT, EVEN IF CHILE DOES NOT ACCEPT THE COMPROMISE OFFERED.

2. IN CONVERSATION WITH THE AMBASSADOR LAST WEEK, MINISTER OF ECONOMIC DEVELOPMENT DIEGO MORENO EXPRESSED HOPE THAT CHILE WOULD NOT WITHDRAW FROM THE PACT AND, INSTEAD, WOULD ACCEPT SOME KIND OF ASSOCIATE STATUS FOR TWO YEARS, OR SO. MORENO SAID THAT HE UNDERSTOOD PERFECTLY THE CHILEAN POINT OF VIEW ON FOREIGN INVESTMENT, AND WAS SYMPATHETIC WITH CHILEAN NEEDS, BUT THAT FULL ACCEPTANCE OF THE CHILEAN DEMANDS WOULD SERIOUSLY UNDERMINE THE PHILOSOPHICAL BASIS OF THE PACT. HE ADDED THAT IT WAS HIS OPINION THAT FOREIGN INVESTMENT WAS ATTRACTED MORE BY STABILITY AND CLEAR CUT RULES THAN BY A CHANCE FOR MAJORITY OWNERSHIP.

3. THERE ARE INDICATIONS, HOWEVER, THAT COLOMBIA IS PREPARED TO PRESS FOR DEEPER CHANGES THAN THOSE OFFERED BY THE DECLARATION OF BOYACA, IF NECESSARY. IN A SPEECH IN MEDELLIN ON SEPTEMBER 17, PRESIDENT LOPEZ SUGGESTED THAT THE TIME MAY HAVE COME TO MAKE SUBSTANTIAL CHANGES TO DECISION 24 AS REGARDS FOREIGN EQUITY OWNERSHIP. AS AN EXAMPLE, LOPEZ ASKED WHICH OF TWO COMPANIES WOULD BE MORE COLOMBIAN - ONE 51 PERCENT COLOMBIAN OWNED, BUT ASSEMBLING ITS PRODUCT ENTIRELY FROM IMPORTED COMPONENTS, OF ONE 51 PERCENT FOREIGN OWNED BUT MAKING SUBSTANTIAL USE OF LOCAL RAW MATERIALS. LOPEZ ALSO NOTED THAT COLOMBIA HAD PASSED THROUGH THE IMPORT SUBSTITUTION PHASE OF DEVELOPMENT, WAS NOW COMMITTED TO EXPORT-LED DEVELOPMENT, AND THAT IN THESE CIRCUMSTANCES A HIGH COMMON EXTERNAL TARIFF WAS CONTRARY TO THE COUNTRY'S BEST INTERESTS.

4. PRESSURES TO KEEP CHILE IN THE PACT MAY COME FROM OTHER SOURCES AS WELL. A HIGH-LEVEL OFFICIAL IN THE MINISTRY OF ECONOMIC DEVELOPMENT HAS INFORMED US THAT BOLIVIA IS PARTICULARLY INTERESTED IN KEEPING CHILE IN THE PACT, FEARING THAT CHILEAN WITHDRAWAL WOULD SERIOUSLY HARM BOLIVIAN EFFORTS TO OBTAIN A CORRIDOR TO THE SEA. REPORTEDLY, PRESIDENT BANZER HAS URGED PRESIDENTS LOPEZ

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AND PEREZ TO SUPPORT GREATER FLEXIBILITY TOWARDS THE CHILEAN POINT OF VIEW.
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